

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Tuscola Area Airport Authority	County Tuscola
Audit Date June 30, 2005	Opinion Date 11-2-2005	Date Accountant Report Submitted to State: November 11, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt & Doran, P.C.			
Street Address 715 E. Frank Street		City Caro	State MI
Accountant Signature Dawn J. Harshel CPA		ZIP 48723	Date 11-10-05

**TUSCOLA AREA AIRPORT AUTHORITY**

Caro, Michigan

Report on Financial Statements

Period Ended June 30, 2005

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

November 2, 2005

## REPORT OF INDEPENDENT AUDITORS

Honorable Board Members  
Tuscola Area Airport Authority  
Caro, Michigan 48723

We have audited the accompanying financial statements of the business-type activities of the Tuscola Area Airport Authority, Caro, Michigan, as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Tuscola Area Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Tuscola Area Airport Authority's governmental activities are not reasonable determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the basic financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Tuscola Area Airport Authority, Caro, Michigan as of June 30, 2005, or changes in its financial position or its cash flows, where applicable, for the year then ended.

The accompanying financial statements also do not include a Management's Discussion and Analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **BASIC FINANCIAL STATEMENTS**

# TUSCOLA AREA AIRPORT AUTHORITY

## Balance Sheet

	June 30,	
	2005	2004
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 75,124	\$ 96,080
Accounts receivable - net	4,825	14,857
Inventory	24,534	16,304
<b>Total Current Assets</b>	<u>104,483</u>	<u>127,241</u>
<b>CAPITAL ASSETS:</b>		
Fixed assets	3,064,975	2,969,046
Less: Accumulated Depreciation	(622,142)	(517,490)
<b>Capital Assets, net</b>	<u>2,442,833</u>	<u>2,451,556</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,547,316</u></u>	<u><u>\$ 2,578,797</u></u>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,260	\$ 9,298
Deferred rental income	350	-
Current maturities of long-term debt	32,785	66,324
<b>Total Current Liabilities</b>	<u>35,395</u>	<u>75,622</u>
<b>NONCURRENT LIABILITIES:</b>		
Notes payable - long-term	121,735	119,604
<b>TOTAL LIABILITIES</b>	<u>157,130</u>	<u>195,226</u>
<b>FUND EQUITY:</b>		
Contributed capital - other governments	1,945,349	1,930,674
Retained earnings	444,837	452,897
<b>Total Fund Equity</b>	<u>2,390,186</u>	<u>2,383,571</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u><u>\$ 2,547,316</u></u>	<u><u>\$ 2,578,797</u></u>

The accompanying footnotes are an integral part of the financial statements.

# TUSCOLA AREA AIRPORT AUTHORITY

## Statement of Revenue, Expenses, and Change in Retained Earnings

	June 30,	
	2005	2004
<b>OPERATING REVENUE:</b>		
Gas sales	\$ 39,308	\$ 27,478
Jet fuel	11,016	25,170
Hangar rentals	42,135	44,230
Interest Income	780	-
<b>Total Operating Revenue</b>	<u>93,239</u>	<u>96,878</u>
<b>OPERATING EXPENSES:</b>		
Salaries & wages	11,267	7,643
Payroll taxes & fringe benefits	732	9,289
Operating supplies	11,082	12,100
Contracted services	24,266	8,509
Telephone	2,291	1,627
Insurance	15,114	14,760
Heat, light & power	6,837	6,195
Maintenance & miscellaneous	1,318	1,302
Bad Debts	234	
Depreciation	104,652	97,981
Fuel purchases	34,466	31,531
<b>Total Operating Expenses</b>	<u>212,259</u>	<u>190,937</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(119,020)</u>	<u>(94,059)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Contributions from members & other local units	47,059	61,564
Gain on sale of fixed assets		8,800
Interest expense	(9,330)	(10,924)
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>37,729</u>	<u>59,440</u>
<b>NET INCOME (LOSS)</b>	(81,291)	(34,619)
Add: Depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction that reduces contributed capital	73,231	68,898
<b>RETAINED EARNINGS - JULY 1</b>	<u>452,897</u>	<u>418,618</u>
<b>RETAINED EARNINGS - JUNE 30</b>	<u><u>\$ 444,837</u></u>	<u><u>\$ 452,897</u></u>

The accompanying footnotes are an integral part of the financial statements.

# TUSCOLA AREA AIRPORT AUTHORITY

## Statement of Revenue, Expenses, and Change in Retained Earnings Budget (GAAP Basis) and Actual Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Gas sales	\$ 49,344	\$ 39,308	\$ (10,036)
Jet fuel	11,016	11,016	-
Hangar rentals	47,410	42,135	(5,275)
Interest income	780	780	-
	<u>108,550</u>	<u>93,239</u>	<u>(15,311)</u>
Total Operating Revenue			
OPERATING EXPENSES:			
Salaries & wages	11,268	11,267	1
Payroll taxes & fringe benefits	733	732	1
Operating supplies	8,120	11,082	(2,962)
Contracted services	28,336	24,266	4,070
Telephone	2,099	2,291	(192)
Insurance	15,114	15,114	-
Heat, light & power	6,342	6,837	(495)
Maintenance & miscellaneous	2,493	1,318	1,175
Bad Debts	-	234	(234)
Depreciation	36,408	104,652	(68,244)
Fuel purchases	42,696	34,466	8,230
	<u>153,609</u>	<u>212,259</u>	<u>(58,650)</u>
Total Operating Expenses			
OPERATING INCOME (LOSS)	<u>(45,059)</u>	<u>(119,020)</u>	<u>(73,961)</u>
NON-OPERATING REVENUE (EXPENSES):			
Contributions from members & other local units	47,059	47,059	-
Interest expense	(9,330)	(9,330)	-
	<u>37,729</u>	<u>37,729</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)			
NET INCOME (LOSS)	<u>\$ (7,330)</u>	<u>(81,291)</u>	<u>\$ (73,961)</u>
Add: Depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction that reduces contributed capital		73,231	
RETAINED EARNINGS - JULY 1		<u>452,897</u>	
RETAINED EARNINGS - JUNE 30		<u>\$ 444,837</u>	

The accompanying footnotes are an integral part of the financial statements.



# TUSCOLA AREA AIRPORT AUTHORITY

## Statement of Cash Flows

	June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (81,291)	\$ (34,619)
Add: Depreciation expense charged to contributed capital	73,231	68,898
<b>ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	104,652	97,981
Gain on sale of assets	-	(8,800)
<b>CHANGE IN CURRENT ASSETS AND LIABILITIES:</b>		
(Increase) decrease in accounts receivable	10,032	(3,647)
(Increase) decrease in inventory	(8,230)	(5,442)
Increase (decrease) in accounts payable	(7,038)	(6,359)
Increase (decrease) in accrued expenses	350	(6,930)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>91,706</u>	<u>101,082</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of assets		8,800
Capital expenditures	(95,929)	(118,697)
Contributed capital	14,675	69,661
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>	<u>(81,254)</u>	<u>(40,236)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Forgiveness of debt		(4,052)
Principal payment on debt	(31,408)	(30,114)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(31,408)</u>	<u>(34,166)</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	(20,956)	26,680
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>96,080</u>	<u>69,400</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OR YEAR</b>	<u><u>\$ 75,124</u></u>	<u><u>\$ 96,080</u></u>

The accompanying footnotes are an integral part of the financial statements.

**TUSCOLA AREA AIRPORT AUTHORITY**  
Notes to the Financial Statements  
June 30, 2005

**NOTE 1 – DESCRIPTION OF TUSCOLA AREA AIRPORT AUTHORITY OPERATIONS AND FUND TYPES:**

**REPORTING ENTITY:**

The TAAA (Authority) was incorporated in 1993 under the provisions of Act 206 of the Public Acts of 1957, as amended by Act 410 of the Public Acts of 1978, and by Act 312 of the Public Acts of 1982.

The municipal corporations that created the Authority include the Villages of Caro, Cass City and Kingston as well as the Townships of Almer and Elkland, all in the County of Tuscola, State of Michigan.

The purpose of this Authority is to exercise any and all powers necessary for the purpose of planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining and operating the landing, navigational and building facilities of the Tuscola Area Airport, formerly known as the Caro Municipal Airport.

The Authority is governed under the direction of a board of as many directors as are appointed to it by member municipalities, as shall be determined from time to time, but not less than four (4).

The Board maintains its own accounting system; employs a manager; adopts rules, regulations, policies governing employees, property, and facilities; prepares an annual financial report; and adopts by-laws, policies, and procedures deemed necessary for conduct of business. The Authority is financed through grants and loans from Federal and State government, fees from users, contributions from governmental entities and other.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Authority (the primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The Authority has no component units.

**FISCAL YEAR:**

Effective April 1, 1999, the Authority elected to change the ending date of its fiscal year from March 31 to June 30.

**BASIS OF PRESENTATION:**

The financial activities of the Authority are recorded in a single fund described as follows:

**Proprietary Fund:**

*Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**TUSCOLA AREA AIRPORT AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expense) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**INVENTORIES:**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased.

**FIXED ASSETS AND DEPRECIATION:**

All assets are recorded at cost, except for depreciable assets, which are at cost or appraised value. Fixed assets are depreciated using the straight-line method. When fixed assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20-40 years
Buildings	30-50 years
Equipment	5-20 years

For information describing property and equipment, see Note 5. Depreciation expense amounted to \$104,652 and \$97,981 for the year ended June 30, 2005 and 2004, respectively.

**BUDGETARY PROCEDURES:**

Budgetary procedures are established pursuant to Act 312, P.A. 1982, which requires the Board to approve a budget for the Authority. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is legally enacted through passage of a resolution.
2. Any revisions of the budget must be approved by the Board.
3. Formal budgetary integration is employed as a management control device during the year for the Authority.
4. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board during the year. Individual amendments were not material in relation to the original appropriations that were amended.

## **TUSCOLA AREA AIRPORT AUTHORITY**

### **Notes to the Financial Statements**

**June 30, 2005**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

##### **ESTIMATES:**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 3 – CASH AND CASH EQUIVALENTS:**

State statutes authorize the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard-rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Authority's deposits and investments are in accordance with statutory authority.

The risk disclosures for the Authority's deposits and investments, as required by GASB Statement No. 3, are as follows:

**Interest rate risk.** In accordance with its investment policy, the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2005, the carrying amount of the Authority's deposits was \$75,124 and the bank balance was \$75,738. Of the bank balance, all \$75,738 was covered by federal deposit insurance. Included in the above deposit figures are bank money market deposits of \$60,000.

**TUSCOLA AREA AIRPORT AUTHORITY**  
Notes to the Financial Statements  
June 30, 2005

**NOTE 4 – ACCOUNTS RECEIVABLE:**

Accounts receivable consist of the following:

	<b>JUNE 30</b>	
	<u><b>2005</b></u>	<u><b>2004</b></u>
Customer Receivables	\$ 4,885	\$16,557
Aeronatics Receivable	2,406	
Credit Card Receivable	<u>1,034</u>	<u>1,566</u>
	8,325	18,123
Less allowance for doubtful accounts	<u>(3,500)</u>	<u>(3,266)</u>
Total	<u><u>\$ 4,825</u></u>	<u><u>\$14,857</u></u>

**NOTE 5 - SUMMARY OF FIXED ASSETS:**

The following is a summary of fixed assets:

	<b>JUNE 30,</b>	
	<u><b>2005</b></u>	<u><b>2004</b></u>
Land	\$ 248,445	\$ 248,445
Land improvements	1,956,635	1,861,881
Buildings	597,556	597,556
Equipment	259,459	258,284
Fuel Tank	2,880	2,880
Less: Accumulated depreciation	<u>(622,142)</u>	<u>(517,490)</u>
Net Property, Plant and Equipment	<u><u>\$2,442,833</u></u>	<u><u>\$2,451,556</u></u>

**NOTE 6 – CHANGES IN LONG-TERM DEBT:**

The long-term debt of the Authority may be summarized as follows:

	<u><b>BALANCE</b></u> <u><b>6/30/04</b></u>	<u><b>ADDITIONS</b></u> <u><b>(REDUCTIONS)</b></u>	<u><b>BALANCE</b></u> <u><b>6/30/05</b></u>
Installment purchase contract payable to a bank, due in monthly installments of \$2,468 over 180 months at 6.25%. Proceeds were used to erect an airplane hangar.	\$141,012	\$(21,408)	\$119,604
Note payable dated December 23, 1997 to Village of Caro due in full in 7 years at 2.5% per annum. Interest is accrued and paid annually. Proceeds used for working capital.	<u>44,916</u>	<u>(10,000)</u>	<u>34,916</u>
TOTAL LONG-TERM DEBT	<u><u>\$185,928</u></u>	<u><u>\$31,408</u></u>	154,520
LESS: CURRENT PORTION			<u>(32,785)</u>
LONG-TERM PORTION			<u><u>\$121,735</u></u>

## **TUSCOLA AREA AIRPORT AUTHORITY**

### **Notes to the Financial Statements**

June 30, 2005

#### **NOTE 6 – CHANGES IN LONG-TERM DEBT (CONTINUED):**

The annual requirements to amortize long-term debt outstanding at June 30, 2005 is as follows:

<b>YEAR ENDING JUNE 30,</b>	<b><u>TOTAL</u></b>
2006	\$ 32,785
2007	34,250
2008	35,810
2009	32,387
2010	<u>19,288</u>
<b>TOTAL</b>	<b><u>\$154,520</u></b>

#### **NOTE 7 - CONTRIBUTED CAPITAL:**

A recap of changes in contributed capital is presented below:

Balance at June 30, 2004	\$1,930,674
- Donated Equipment	87,906
- Depreciation expense on assets acquired by grants	<u>(73,231)</u>
Balance at June 30, 2005	<b><u>\$1,945,349</u></b>

#### **NOTE 8 – RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The Authority has purchased commercial insurance for fleet equipment and tort claims, certain property and equipment damage and theft.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

#### **NOTE 9 – SUBSEQUENT EVENT:**

The Authority has two capital projects planned for the 2006-2007 year.

A security fence project Phase II estimated to cost \$125,000. The project was to be funded 90% State, leaving the Authority's share at 10% of the total. This project was started October 21, 2005 and should be completed during the 2005-06 year.

At its October, 2005 board meeting, the Tuscola Area Airport Authority entered into a concession agreement to build a 15-bay hangar, which should be completed by May 2006. This hangar will cost approximately \$440,000 and will be paid for with currently available funds.

#### **NOTE 10 – GASB 34:**

The Tuscola Area Airport Authority chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

November 2, 2005

To the Honorable Board Members  
Tuscola Area Airport Authority  
Caro, Michigan 48723

In planning and performing our audit of the financial statements of Tuscola Area Airport Authority for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated November 2, 2005, on the financial statements of Tuscola Area Airport Authority.

## **Segregation of Duties**

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the authority segregate duties whenever possible.

## **Increase Fidelity insurance coverage**

We recommend that the Authority review their fidelity insurance and consider increasing the insurance coverage. With the size of the Authority's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered.

To the Honorable Board Members  
Tuscola Area Airport Authority

November 2, 2005  
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### **Budgeting**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the authority incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated. The authority needs to monitor the budgetary variances and make necessary amendments to avoid being in violation of Public Act 621.

### **Accounts Receivable**

During the course of our audit, we noted a customer receivable balance in excess of 90 days old. This balance represents 49% of the total customer receivable. We recommend the district assess service charges or other means to assure timely collection of customer balances.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Tuscola Area Airport Authority, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**